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SC PUBLIC SERVICE
COMMISSION

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* CERTIFIED CIVIL COURT MEDIATOR

February 27, 2013

The Honorable Jocelyn D. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29211

**RE: Application of JACABB Utilities, LLC for Adjustment Of
Rates and Charges for the Provision of Sewer Service and
Establishment of Additional Rates and Charges to Serve The
Shoals of Anderson and Anchor Point (Docket Number: 2012-199-S)**

Dear Ms. Boyd:

Please find enclosed the following regarding the above-referenced application pending before the Public Service Commission.

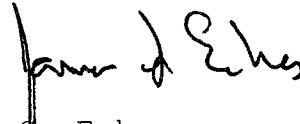
- 1.) Original and two (2) copies of the proposed direct testimony of Stephen R. Goldie; and
- 2.) Certificate of service by mail with two (2) copies.

Please date stamp the copies and return them to me in the self-addressed, stamped envelope so that I will have proof of filing.

Thanking you in advance for your consideration, I remain,

Sincerely yours,

ALLEN AND EAKES



James S. Eakes

JSE/trm
Enclosure

CC: Shannon Bowyer Hudson, Esquire
Stephen D. Goldie
Grace E. Wood

APPROVED OK OK

STATE OF SOUTH CAROLINA**(Caption of Case)**

**Application of JACABB Utilities, LLC for approval
of sewer rates, terms and conditions for The Shoals
and Anchor Point in Anderson County, South
Carolina**

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

COVER SHEET

DOCKET

NUMBER: 2012 - 199 - S

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COMMISSION

(Please type or print)

Submitted by: James S. Eakes

SC Bar Number: SC Bar # 1820

Address: Allen and Eakes

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Anderson, SC 29622

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Email: sheilat@goldieassociates.com

NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ **Emergency Relief demanded in petition** ☐ **Request for item to be placed on Commission's Agenda expeditiously**

☒ **Other: Prefiled Direct Testimony of Stephen R. Goldie**

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certificatio	
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input checked="" type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation	
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input checked="" type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena	
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff	
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other: Amended Applica	
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit		
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report		

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA

DOCKET NUMBER: 2012-199-S

Application of JACABB Utilities, LLC For Adjustment
Of Rates and Charges for the Provision of
Sewer Service and Establishment of
Additional Rates and Charges to Serve
The Shoals of Anderson and Anchor Point

PREFILED DIRECT TESTIMONY

OF
STEPHEN R. GOLDIE

DIRECT TESTIMONY OF STEPHEN R. GOLDIE
FOR APPLICANT
Docket Number: 2012-199-S

1 **Q. Please state your name for the record.**

2 A. Stephen R. Goldie

3

4 **Q. Where do you live?**

5 A. 134 Liberty Hall Drive in Pendleton, South Carolina.

6

7 **Q. This is in Anderson County?**

8 A. Yes.

9

10 **Q. What is your profession?**

11 A. I am a civil engineer.

12

13 **Q. Do you have a degree?**

14 A. Yes. I attained a B.S. degree in engineering from the
15 University of South Carolina in 1977.

16

17 **Q. Please outline your work history since graduating from the**
18 **University of South Carolina?**

19 A. After graduating in 1977, I worked as an assistant to the
20 City Engineer for the city of Charleston, South Carolina,
21 dealing with streets and drains for approximately six
22 months. Then I worked as an engineer in the Engineering
23 Department for the City of Columbia, South Carolina, for

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FOR APPLICANT
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1 approximately four years. In this capacity, I was involved
2 with the design of water and sewer systems. I then worked
3 with the South Carolina Department of Health and
4 Environmental Control for about three and one-half years as
5 a permitting engineer in the Solid and Hazardous Waste
6 Division.

7 I left DHEC to start my own business. This was in 1983. The
8 business is now Goldie and Associates, Inc. This is a South
9 Carolina corporation in good standing. I am the president
10 and its sole shareholder. My corporation provides a wide
11 range of engineering services, and its principal office is
12 located at 210 North Second Street, Seneca, South Carolina.
13 The range of services which we provide include engineering,
14 environmental compliance, and laboratory service and
15 includes management of water and wastewater treatment
16 facilities. We are also licensed to provide laboratory
17 testing for both wastewater and drinking water. We also
18 design wastewater treatment facilities and obtain permits,
19 including environmental permits, for wastewater treatment
20 facilities.

21
22 **Q. Specifically, what experience do you have with wastewater**
23 **treatment facilities?**

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FOR APPLICANT
Docket Number: 2012-199-S

1 A. I am actively involved as a consultant with numerous
2 Wastewater treatment systems in all aspects, including
3 design, permitting, compliance with regulations, testing,
4 and E.P.A. requirements. We have a certified laboratory
5 division and several licensed operators for North Carolina
6 and South Carolina.

7
8 Q. **What is JACABB Utilities, LLC?**

9 A. JACABB, Utilities, LLC is a South Carolina Limited Liability
10 Company which I formed to acquire and operate wastewater
11 treatment facilities and to furnish water service to
12 residential and commercial customers. It is in good
13 standing.

14
15 Q. **What is your position with JACABB Utilities, LLC?**

16 A. I am the sole member, managing member, and sole owner of
17 JACABB Utilities, LLC.

18
19 Q. **What wastewater treatment facilities is JACABB approved and
20 permitted or licensed to operate?**

21 A. Forest Hills Subdivision, The Shoals and Anchor Point, and
22 SC I-85 Exit 4 in Anderson County, South Carolina; The
23 Landing at Clemson Marina and Pointe West Development in

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Oconee County, South Carolina; The Cliffs at Mountain Park in Greenville County, South Carolina; and Cane Creek Motorcoach Resort in Laurens County, South Carolina. I own and operate these systems.

Q. What water systems are JACABB approved and permitted to operate:

A. Highpointe Water in Oconee County, South Carolina; Aldersgate Subdivision in Pickens County, South Carolina; and Cedar Ridge Estates in Jackson County, North Carolina.

Q. What other wastewater treatment facilities and water systems do you operate?

A. Goldie and Associates is privately contracted to operate many more wastewater treatment facilities and water systems.

Q. What is the purpose of your testimony in this Proceeding?

A. The purpose of my testimony is to sponsor JACABB's application for an adjustment to certain rates and charges for the provision of sewer services to the customers of the Shoals and Anchor Point only. Also, I will provide, or have provided, the Commission with an overview of JACABB and its

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1 operations, including the area in which it is authorized to
2 provide service, an outline of the history of the utility, a
3 review of its performance from an operational standpoint, a
4 description of the facilities used and useful to JACABB and
5 some of the expenses incurred in providing sewer service to
6 the Shoals and Anchor Point and an explanation of JACABB's
7 need for relief.

8
9 **Q. Explain how you acquired the Shoals wastewater treatment**
10 **facility.**

11 A. In 2007 SCDHEC requested that I purchase the facility from
12 the previous owner. There had not been any maintenance,
13 upkeep, or repair for many years. The system was in severe
14 decline and a state of disrepair. The prior owner was in
15 violation of administrative orders and consent orders issued
16 by SCDHEC.

17
18 **Q. What customers are currently served by the Shoals facility**
19 **owned by JACABB?**

20 A. Currently JACABB provides wastewater collection and
21 treatment services to sixty-nine (69) residential houses in
22 The Shoals and provides services to Anchor Point with
23 thirty-six (36) condominium units. Anchor Point is one

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customer for billing purposes.

Q. Please describe the plant and facilities for the Shoals wastewater treatment facility?

A. The sewerage system consists of collection and transportation lines, lift station, activated sludge treatment disposal, secondary filter, chlorination and de-chlorination system (Disinfecting System) and other related equipment. After de-chlorination, the effluent is pumped and discharged into Lake Hartwell by authorized and permitted discharge permit.

Q. Is JACABB Providing Wastewater treatment service to its customers in conformity with its permit from the South Carolina Department of Health and Environmental Control ("SCDHEC")?

A. Yes. JACABB holds all permits necessary to operate the facility. JACABB has made necessary repairs, improvements, and upgrades necessary to operate the facility in a proper manner, and since taking over the facility, it has not been cited by SCDHEC for any major infractions and has not incurred any fines. JACABB is committed to operating the facility in an environmentally responsible manner, which is

DIRECT TESTIMONY OF STEPHEN R. GOLDIE
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1 a costly undertaking.

2
3 **Q. Is this the first rate increase requested by JACABB for the**
4 **Shoals wastewater treatment facility?**

5 A. Yes. JACABB has been providing sewer services to the
6 customers in The Shoals and Anchor Point since the approved
7 transfer from the previous owner, Shoals Sewer Company, at
8 the same rates established for the prior owner without any
9 prior request by JACABB for a rate increase.

10
11 **Q. WHY IS JACABB UTILITIES REQUESTING RATE RELIEF AT THIS TIME?**

12 A. For the test year ended December 31, 2011, JACABB earned on
13 a per book basis a (5.09%) operating margin (loss) and
14 experienced a net loss of (\$24,138). Without a rate
15 increase, JACABB will not be able to preserve its financial
16 integrity, promote continued investment in and maintenance
17 of the facility, and thereby will not be able to continue to
18 provide reliable and high quality sewer service to its
19 customers.

20
21 **Q. WHAT HAS JACABB'S EXPERIENCE BEEN WITH THE COSTS OF**
22 **OPERATION SINCE THE LAST RATE INCREASE?**

DIRECT TESTIMONY OF STEPHEN R. GOLDIE
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1 A. The last rate increase was about ten years ago and was
2 before JACABB took over the system. When we took over the
3 system, we discovered that it had not been properly
4 maintained and operated and was in a severe state of
5 disrepair. The company has incurred repair and operational
6 expenses to get the system into a reasonably functional
7 status. The company has also incurred increased operational
8 expenses such as purchased power, sludge disposal,
9 chemicals, taxes, fees and assessments and daily operator
10 time. What we are experiencing here is very typical of what
11 I have seen and dealt with across South Carolina. A
12 developer builds a sewer system in order to sell and make
13 money on the development. The capital expense of the sewer
14 system is justified by the profits of the development. The
15 developer either tries to keep the system or turns it over
16 to a Home Owners Association. In either case after the
17 system ages there are no more development profits to
18 maintain or upgrade the sewer system. Therefore, the burden
19 of increased costs lies with the user. A sewer system will
20 not last forever and certainly not if maintenance and
21 upgrades are not periodically done. Because of the age of
22 this system (40 to 50 years old) more investment into
23 improvements and operational costs has been and will

DIRECT TESTIMONY OF STEPHEN R. GOLDIE
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1 continue to be required. Regulations change over time which
2 requires costly changes to the system and its operation.
3 Sufficient sewer rates are necessary to insure that adequate
4 sewer service is provided to protect the value of the homes
5 in this community.

6 **Q. WHAT IS A RATE INCREASE DESIGNED TO ACCOMPLISH FOR JACABB?**

7 A. An increase in Shoals and Anchor Point's current rates would
8 generate additional revenues that will allow the Company to
9 move closer to being on a sound financial footing, to allow
10 it to raise additional capital and to increase its earnings
11 to a more reasonable level. As the plant and its facilities
12 age, the need for significant upgrades and improvements
13 becomes more vital to the continued operation of the system.
14 The increased revenue will allow the company to secure the
15 necessary capital to make the necessary improvements and
16 repairs and continue its history of operating the system in
17 compliance with regulatory requirements. It will also allow
18 us to continue to be committed to protecting the investments
19 of the homeowners of this lake front community.

20
21 **Q. ARE THE RATES AND CHARGES PROPOSED FAIR, REASONABLE, AND**
22 **NECESSARY IN ORDER FOR THE COMPANY TO CONTINUE TO PROVIDE A**
23 **SAFE AND RELIABLE WASTEWATER TREATMENT SERVICE?**

DIRECT TESTIMONY OF STEPHEN R. GOLDIE
FOR APPLICANT
Docket Number: 2012-199-S

1 A. Yes. The financial statements and my testimony reflect that
2 we are operating at a financial loss and the need for
3 capital investment. In order to continue to provide the type
4 of services we have been providing, JACABB must have a rate
5 increase. The Company believes that the proposed rates not
6 only place the utility on a more solid financial footing but
7 also protects the investment of homeowners by providing a
8 sound sewer system. It is our belief that the rates
9 requested are reasonable, fair, responsible, non-
10 discriminatory, and justified in light of the customer's
11 needs, the utilities' requirements to meet the customers'
12 needs and the utilities' obligation to do so in compliance
13 with the regulations of this Commission, DHEC, and other
14 regulatory agencies with jurisdiction over the Company.

15
16 **Q. PLEASE SUMMARIZE THE RATE CHANGES AS PROPOSED IN THE**
17 **APPLICATION TO THE COMPANY'S SEWER RATE SCHEDULE.**

18 A. As reflected in its application and proposed rate schedule,
19 the Company proposes to increase the residential and
20 commercial charge from \$35.00 to \$68.00 per month per
21 single-family house, condominium, villa or apartment unit or
22 equivalent and Anchor Point (36 single-family units) from
23 \$1,260.00 to \$2,448.00 per month. Additionally, the Company

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1 is proposing to increase the charges for late notification
2 fee form \$10.00 to \$15.00, adding a new customer account
3 charge of \$25.00, returned check fee of \$30.00, reconnection
4 charges of \$250.00 and replace the current "tap fee of
5 \$500.00" with sewer service connection fee of \$250.00 and
6 plant impact fee of \$800.00.

7
8 **Q. MR. GOLDIE, WERE THE FINANCIAL STATEMENTS ATTACHED TO THE**
9 **APPLICATION PREPARED BY YOU OR UNDER YOUR DIRECTION.**

10 A. Yes. Financial Statements were included in the application.
11 The Balance Sheet and Income & Expense Statement were
12 revised and submitted to the Commission on January 16, 2013.

13
14 **Q. WHAT IS CONTAINED IN THE FINANCIAL STATEMENTS?**

15 A. The year chosen by the Company is the year ended December
16 31, 2011. The Balance Sheet shows Company assets of
17 approximately \$50,573. The Income & Expense Statement for
18 the test year shows that the Company earned on a per book
19 basis a (\$2,094) Net Income (Loss) which relates to a
20 (5.09%) operating margin. Additionally, in 2010 the Company
21 experienced a Net Income (Loss) of (\$4,112). This level of
22 financial loss and the increase in expenses demonstrates the
23 utilities' need for the rate increase.

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FOR APPLICANT
Docket Number: 2012-199-S

1 Exhibit C to the application is the pro forma income and
2 expense statement which shows an operating margin (Loss) of
3 (73%) after adjustments for known increases.

4 Exhibit F to the application is the Depreciation Schedules
5 for JACABB's plant in service.
6

7 **Q. WOULD YOU PLEASE PROVIDE A BRIEF EXPLANATION OF THE PRO**
8 **FORMA ADJUSTMENTS INCLUDED IN EXHIBIT C?**

9 A. Contractual Services - Management fees were adjusted to
10 reflect an increase in the cost of operating and maintaining
11 the plant due to higher gas prices and an increase in the
12 number of hours spent at the plant. Adjustments were made to
13 the depreciation account for materials and miscellaneous
14 expenses and removed from expense account for the years
15 2010, 2011 and 2012. An estimated amount was added for loan
16 interest expenses for the major repairs made in 2012.
17 Provision (benefit) for income taxes was estimated. Rate
18 case expense was adjusted to reflect the cost of this
19 proceeding amortized over a 5 year period. An adjustment for
20 the increased revenues based on the Utility's proposed sewer
21 rates was included.
22

DIRECT TESTIMONY OF STEPHEN R. GOLDIE
FOR APPLICANT
Docket Number: 2012-199-S

1 Q. Again, do you feel that the requested increased rates and
2 charges contained in your schedule are competitive and fair
3 and reasonable to the customers?

4 A. Yes, and they are competitive with what other utilities
5 would have to charge to provide the service.
6

7 Q. Will the requested rate increases and charges allow JACABB
8 to remain viable?

9 A. Yes.
10

11 Q. Have you reviewed your application and all exhibits attached
12 to it?

13 A. Yes. Everything set forth in the application and all
14 information provided to ORS is accurate to the best of my
15 knowledge.
16

17 Q. Are you requesting that your proposed schedule of rates and
18 charges be approved and adopted?

19 A. Yes.
20

21 Q. Does this conclude your testimony?

22 A. Yes, it does.
23

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

IN RE:)	
)	
DOCKET NO. 2008-173-W)	
APPLICATION OF JACABB)	
UTILITIES LLC for Adjustment)	Certificate of Service
Of Rates and Charges for the)	DOCKET NUMBER: 2012-199-S
Provision of Sewer Service and)		
Establishment of Additional)		
Rates and Charges to Serve the)		
Shoals of Anderson and Anchor)		
Point)	
_____)	

The undersigned hereby certifies that she is employed in the law offices of Allen and Eakes, 114 West Orr Street, Anderson, South Carolina, and is a person of such age and discretion as to be competent to serve papers.

That on February 27, 2013, she served a copy of the *Prefiled Testimony of Stephen R. Goldie* in the above-captioned matter by placing said copy in a postpaid envelope addressed to the person or persons hereinafter named at the place(s) and address(s) stated below, by depositing said envelope and contents in the United States Mail at Anderson, South Carolina:

TO: Grace E. Wood
Anchor Point Board, Vice-President
#17 Anchor Point
Anderson, South Carolina 29625


Tonya R. McCullough